

Fiscal Note

Fiscal Services Division



SF 507 – Iowa Department of Revenue 2015 Tax Policy Bill (LSB1309SV)
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Fiscal Note Version – New

Description

Senate File 507:

- Expands a current sales/use tax exemption for certain all-terrain and off-road utility vehicles (ATVs). This change is effective July 1, 2015.
- Adds the Director or designee of the Department of Revenue as a non-voting member of the Flood Mitigation Board.
- Changes how the 20-year limit on flood mitigation sales tax diversions is calculated by allowing the transfer of any tax from sales that occurred prior to the expiration of the 20-year period, but not remitted to the State until after the expiration of the 20-year period.
- Modifies the Disabled Veteran Homestead Tax Credit by allowing an extension of the application filing deadline. This change is effective on enactment and applies retroactively to March 5, 2015.

Assumptions

All-Terrain Vehicle (ATV) Tax Exemption

- The Department of Revenue estimates that the price of ATVs purchased in Iowa during FY 2016 will average \$7,762. It is assumed this average will increase 2.0% each year.
- Based on data provided by the Iowa Department of Natural Resources (DNR), there will be 4,177 new registrations for ATVs in 2016 and future years, and farmers account for 9.5% of registrations of all new ATVs. It is assumed that annually, 397 (9.5%) new ATVs will be made newly exempt from sales/use tax under the provisions of this Bill.
- The State sales tax rate is 6.0%.
- The impact of the provision on local option sales tax (LOST) revenues is estimated using the average statewide rate of 0.87% of taxable sales.
- The estimate does include the sale of used ATVs. However, used ATV sales that are not considered “casual sales” are also subject to sales/use tax and the sales of used ATVs will add an unknown amount to the fiscal impact of the provision.

Disabled Veteran Homestead Tax Credit

- This provision amends [HF 166](#) (Disabled Veteran Homestead Tax Credit Act). The change will allow eligible veterans to apply for the property tax credit through June 30, 2015, and receive the benefit as if they had applied by the normal due date for Homestead Tax Credit applications.
- The number of qualified disabled veteran homeowners that could become eligible for the HF 166 tax credit one year earlier under the provisions of this Bill is estimated to be 788. Since qualified disabled veteran homeowners must apply on or before June 30, 2015, it is estimated for this fiscal note that 75.0% (591) will do so, and the remainder will apply by June 30, 2016, and be eligible for the full tax credit in FY 2018.
- The additional tax credit benefit received will average \$2,557 per beneficiary in FY 2016.

Fiscal Impact

All-Terrain Vehicle Exemption - This provision is projected to reduce revenue by the following annual amounts, beginning in FY 2016:

- General Fund Revenue - \$192,000
- Local Option Sales Tax - \$28,000

This estimated fiscal impact does not include the sale of used ATVs that will also benefit from the expanded sales/use tax exemption.

Flood Mitigation Changes - The provision adding the Director or designee of the Department of Revenue to the Flood Mitigation Board has no fiscal impact. The provision changing how the 20-year limit on a sales tax diversion for flood mitigation is calculated has a minor negative fiscal impact on General Fund revenue, but any impact will not occur until at least FY 2034.

Disabled Veteran Homestead Tax Credit - This provision amends [HF 166](#) (Disabled Veteran Homestead Tax Credit Act). The application deadline extension is projected to increase the FY 2016 State General Fund standing unlimited appropriation for the Homestead Tax Credit by \$1.8 million. This fiscal impact is in addition to the \$560,000 FY 2016 impact cited in the [Fiscal Note for HF 166](#). The change in this Bill does not have an additional fiscal impact beyond FY 2016.

The current balance sheet estimate for the Homestead Tax Credit is \$135.0 million for FY 2016. The LSA estimates that number to be sufficient to cover current law claims, and the estimated additional claims made eligible under both [HF 166](#) and the provisions of this Bill. In addition, absent a noticeable increase in the statewide average property tax rate or the residential rollback, the \$135.0 million appropriation level should be sufficient to fully fund the Homestead and Disabled Veteran Homestead Tax Credits in future fiscal years.

Sources

Iowa Department of Revenue
Department of Management property tax files
Legislative Services Agency analysis

/s/ Holly M. Lyons

May 21, 2015

The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.
